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SUBJECT: A CONSERVATIVE SCORE-CARD: A SOLID B+, BUT NO GOLD STAR

Ref A: OTTAWA 833

Ref B: 07 OTTAWA 1928

Ref C: OTTAWA 866

11. (SBU) Summary. Two-and-a-half years into its mandate, the minority Conservative government is effectively implementing its policy agenda and delivering on core pledges to rebuild Canada's armed forces, tackle violent crime, and cut taxes. The extension of Canada's combat mission in Afghanistan to 2011 and the weakness of the Liberal official opposition defined the spring sitting of Parliament. The Conservatives capitalized on the opposition vacuum to push through far-reaching budget, justice and immigration changes under threat of an election, although a bill to strengthen the Anti-terrorism Act is still pending in the Commons and the government has yet to deliver a promised formal statement on national security. The Conservatives plan to stick with the same formula for the fall, but the Liberals have nailed their colors to a new carbon tax (ref A) in the hope of reshaping the national debate on their terms. The tax is a "Hail Mary", sink or swim proposition for Liberal leader Dion and one that will make an already volatile political situation even more uncertain. End summary.

"A RECORD OF ACHIEVEMENT"

12. (U) PM Harper lauded the Conservative government's record during the spring sitting that ended on June 20 as "a remarkable record of achievement," especially given the opposition's prior vow to defeat key policies. Harper repeatedly used the threat of an election to force the official opposition Liberals to swallow policies they opposed. Liberal leader Stephane Dion practiced what he called "strategic patience," offering up only a handful of Liberal MPs to vote on 42 major and minor confidence votes since October while the remainder of his caucus sat on their hands. In the short-term, the strategy hurt Dion's credibility and allowed the Bloc Quebecois and New Democratic Party (NDP) to posture with impunity. However, after the economy slowed in the spring, and the Conservatives became distracted by minor scandals, Dion was given some credit for buying time.

13. (U) The Conservative agenda as set out in the October Speech from the Throne (ref B) eschewed a "Big Bang" policy approach and focused on five achievable priorities: strengthening Canadian sovereignty and Canada's international role, delivering effective economic leadership, tackling crime, building national unity, and improving the environment. The focus on practical deliverables bolstered the government's claim that it was "getting the job done" and keeping its promises as it methodically ticked items off the list. Taken cumulatively, the government made significant progress on a broad range of issues consistent with Harper's stated objective of bringing about incremental, but fundamental, change to how Canada works.

AFGHANISTAN, DEFENSE, AND NATIONAL SECURITY

14. (U) The Conservatives' signal achievement was the crafting of a bipartisan consensus to extend Canada's combat mission in Afghanistan to 2011. PM Harper's ability to build bridges in a

minority parliament was an act of statesmanship that belied the perception that the present minority situation is inherently dysfunctional. It demonstrated a degree of flexibility on the part of the government and of the official opposition that was unmatched on any other issue. The government followed this success with efforts to secure helicopters and aerial drones for the mission -- as per the conditions of the extension -- which are ongoing. On Qas per the conditions of the extension -- which are ongoing. On June 10, Canada pledged an additional \$600 million in development aid to Afghanistan, bringing total Canadian aid between 2001 and 2011 to \$1.9 billion.

15. (U) In May, the Conservatives announced their Canada First Defence Strategy to expand the regular Canadian Forces to 70,000 and the Reserve Force to 30,000, improve key military infrastructure, increase overall Canadian Forces readiness, and proceed with major combat fleet replacements of surface combat ships, maritime patrol craft, fixed-wing search and rescue aircraft, fighter aircraft, and land combat vehicles and systems. The Strategy complemented steps the government had already taken to rebuild the Canadian Forces, including new investment in Arctic defense to bolster Canadian sovereignty in the North, and a commitment in the 2008 Budget to stable, predictable funding with annual increases in defense spending of two percent starting in 2011-2012 that will provide an additional \$12 billion over 20 years. However, systemic bottlenecks in the procurement process have hampered progress on materiel and recruitment targets.

16. (U) The government enacted revised immigration security certificate legislation in February to better balance national security with the Charter of Rights. It has also introduced amendments to the 2001 Anti-terrorism Act to reinstate powers to

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compel testimony at investigative hearings and permit preventive arrest that expired under automatic sunset clauses in February 2007. The bill -- introduced first in the Senate -- has passed the upper House, and is pending in the Commons. It should pass the Commons in the fall, unless Parliament is prorogued or there is an election.

THE ECONOMY AND COPYRIGHT

17. (U) The Conservatives have rested their claim to be prudent fiscal managers on tax cuts and debt repayment. To combat the slowing economy, they delivered \$60 billion over 5 years in individual and corporate tax cuts in October, including an earlier-than-expected second cut to the GST sales tax to 5 percent. The 2008 Budget introduced a Tax-Free Savings Account aimed at the middle-class and allocated \$10.2 billion to debt reduction. When added to locked-in spending commitments to the armed forces and to the provinces in the 2007 budget, the effect of the Conservative tax cuts has been to profoundly constrain the fiscal capacity of future governments to spend on new programs. The 2008 Budget projected only a razor-thin operating surplus of \$1.3 billion in 2009, the smallest since 1998. Responding to calls to do more to assist displaced workers in central Canada's hard-hit manufacturing and auto industries, the government established a \$1 billion trust fund for manufacturing and resource communities in January.

18. (U) The Conservatives signed a Free Trade Agreement with the European Free Trade Association in January, and, as part of Canada's renewed engagement with the Americas, concluded negotiations for a FTA with Peru in January and with Colombia in June. They have also appealed to women and families with bills to improve product and food safety and to stiffen regulations for made-in-Canada labeling to bolster the agricultural sector.

19. (U) The Conservatives introduced a bill to amend the Copyright Act, a key USG priority, on June 12. However, initial reaction in the media and the internet community has been negative, and all three opposition parties have made statements critical of the bill, making its future in the Commons uncertain.

¶10. (U) In spite of controversy, the government used the 2008 Budget as a back-door channel to change immigration policy, granting the Minister of Immigration discretionary authority to fast-track applications for specific categories of immigrants. By folding this authority into the Budget bill -- an automatic confidence matter -- the Conservatives overrode charges that the changes are unfair to those already in line, allow the government to cherry-pick immigrants, and threaten to politicize the immigration process. They argued the changes are necessary to cut wait times of up to six years and bring in the skilled immigrants Canada needs when it needs them. Stephane Dion has promised to repeal the changes, but the Liberals no longer own the immigration issue in Canada, nor can they continue to count on immigrants as a rock-solid base of support. Immigrant communities themselves are divided on the changes and a May poll suggested the Conservatives may be on the right track; 85 percent of respondents thought it was important to select immigrants whose skills fit the needs of the workforce.

¶11. (U) The Conservatives have made significant progress on their flagship "safe streets" justice agenda, enacting their key Tackling Violent Crime Act in February, a compendium of five earlier justice bills raising the age of sexual consent, increasing penalties for impaired driving, cracking down on dangerous offenders and bail provisions, and imposing mandatory minimum sentences for serious gun crime. The government has also introduced new bills targeting property, auto and identity theft, and establishing mandatory minimum sentences for serious drug crime to complement a revamped National Anti-Drug Strategy in October.

¶12. (U) The Conservatives have also made progress on aboriginal affairs, establishing a landmark Indian Specific Land Claims Tribunal to streamline the land claims process and passing a bill to extend the Canadian Human Rights Act to aboriginal reserves. On June 11, PM Harper issued a historic formal apology for the federal role in the operation of Indian Residential Schools and a national Truth and Reconciliation Commission on the Residential Schools issue began work in May.

¶13. (U) The Conservatives have moved forward with bills important to their western Canadian support base, such as dismantling the Canadian Wheat Board marketing monopoly on barley, and have made largely symbolic progress on Senate reform (bills to limit senatorial terms and allow for public consultation on the appointment of senators).

SOLID MARKS, BUT NO GOLD STAR

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¶14. (U) Voters generally give the government good marks, and the Conservatives scored two seats in upset by-election victories in September and March from the Bloc Quebecois and the Liberals respectively. In a late May poll, the Conservatives were at 37 percent nationally compared to 29 percent for the Liberals, and 55 percent of those surveyed felt the country was on the "right track" in spite of rising anxiety over the economy. Harper is still the first choice among voters for prime minister at 35 percent to 26 percent for Dion (whose overall performance rating plunged to a historic low of 10 percent in May), and more Canadians (43 percent) appear to have faith in Harper to manage the economy than Dion (25 percent). However, the Conservatives have not been able to capture the public imagination and Canadians appear evenly split over whether the government deserves re-election (46 believe the Conservatives deserve re-election and 47 percent want a change).

¶15. (SBU) Unease over the economy in central Canada has sapped Conservative support, and the government has suffered the wear and tear of minor 'scandals', including the resignation of former Foreign Minister Maxime Bernier, the so-called "In and Out" dispute with Elections Canada over 2006 campaign financing that prompted a

humiliating "raid" on federal Conservative headquarters, allegations that the party tried to bribe the late independent MP Chuck Cadman in 2005 to vote to defeat the-then Liberal government, "NAFTA-gate", and former Conservative PM Brian Mulroney's questionable business dealings with Karlheinz Schreiber. None of the 'scandals' appear to have significantly dented the Conservatives' popularity, but they consumed valuable energy and will prevent the Conservatives from playing the "clean" card again in the next election. Extreme partisanship on both sides of the Commons prompted Speaker Peter Milliken privately to express his frustration to U.S. officials over the government's refusal to consult and negotiate -- the "grease" of any minority government -- with the opposition. The negativity of Question Period also spilled over to committees, the workhorses of the Commons.

WHAT'S NEXT?

¶16. (SBU) Major issues left to be dealt with include legislation to place formal limits on the federal power to spend in areas of exclusive provincial jurisdiction, national security, and more effective action on the environment. However, with key components of the Conservative economic, defense and justice agenda passed, PM Harper has taken minor steps to reposition his government. These include a new Chief of Staff, Guy Giorno, on July 1, replacing Ian Brodie, and a Cabinet shuffle (ref C). Giorno, a key aide to former Conservative Ontario premier Mike Harris in the late 1990s, will work to improve relations with the media and to engage the public service more effectively.

¶17. (U) Pundits continue to speculate whether Harper will prorogue Parliament for the second successive year, and return in the fall with a fresh Throne Speech that will serve as a platform for a fall election or a blue-print to take him to the fixed-date election of October 19, 2009. Parliament is currently scheduled to resume on September 15, but prorogation -- if it happens -- could push that back to October, or even November, after the Conservative policy conference in Winnipeg from November 13 to 15.

¶18. (SBU) The PM has made it clear that his agenda is on track and voters can expect more of the same. Conservatives appear to believe Qvoters can expect more of the same. Conservatives appear to believe that their bumper-sticker formula of lower taxes, safer streets and promises kept, will prevail over the Liberals' complex "Green Shift" carbon tax plan. A June 22 poll, the first since Green Shift's launch, indicates the plan has the potential to be a game-changer for the Liberals (47 percent in favor, 39 percent opposed), with cross-cutting support among New Democrats, Greens and Bloc supporters, women (48 percent) and those under 35 years (61 percent). However, most respondents conceded they did not know the details, and much depends on Liberal leader Dion's ability to pitch it convincingly as energy costs rise. He has effectively staked his leadership on the tax and, if Canadians are receptive, he may be in the mood to gamble on an election in the fall.

COMMENT

¶19. (SBU) Election brinkmanship has been the tool of choice for this minority Conservative government; one Liberal MP told us a year ago that he had already signed leases for an election campaign office three times and had to cancel each one. Conservative insiders have similarly told us that the government script for the next election -- whenever it comes -- has already been written, subject to ongoing fine-tuning. In office, Harper's motivation has been less to implement a radical vision than to establish a credible record of governance, to engender confidence, and to implement incremental but significant change. On that score, the last nine months have been the Conservatives' most productive to date. However, the Liberals

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may be more willing to push back in the fall, making developments in the coming months even more difficult to predict. End Comment.

WILKINS